



Arnold Schwarzenegger
Governor

July 1, 2010
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Ms. Pam Stewart, Program Director
City Impact, Inc.
829 North A Street
Oxnard, CA 93030

Dear Ms. Stewart:

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)
15-PERCENT PROJECT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2009-10

This is to inform you of the results of our review for Program Year (PY) 2009-10 of the City Impact's (CI) administration of its Workforce Investment Act (WIA)/ARRA California Gang Reduction, Intervention and Prevention (CalGRIP) Project, WIA Subgrant Number R975706. Mr. Tom Liu, Ms. Cynthia Parsell, and Mr. Gregory Ramsey conducted this review from February 22, 2010 through February 26, 2010. For the program operations portion of the review, we focused primarily on the areas of program administration, participant eligibility, WIA activities, monitoring, if applicable, and management information system/reporting. For the financial management portion of the review, we focused primarily on the areas of accounting systems, expenditures, allowable costs, cost allocation, reporting, cost pools, indirect costs, cash management, internal controls, program and interest income, single audit, if applicable, and property management. For the procurement portion of the review, we focused on procurement competition, cost and price analyses, and contract provisions.

We conducted our review under the authority of Sections 667.400(c) and 667.410(b)(1)(2)(3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by CI with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations, financial management and procurement.

We collected the information for this report through interviews with CI representatives, City Corps, Social Outreach Services, and WIA participants. In addition, this report

includes the results of our review of sampled case files for participants enrolled in the WIA CalGRIP Project; a review of CI's response to Sections I and II of the 15-Percent Project Program Onsite Monitoring Guide; applicable policies and procedures; and a review of documentation retained by CI for a sample of expenditures and procurements.

We received your response to our draft report on June 10, 2010, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed the findings cited in the draft report, no further action is required and we consider the issues resolved.

BACKGROUND

The CI was awarded \$500,000 to operate their CalGRIP Project to serve 80 WIA participants from June 30, 2009 through March 31, 2011. For the quarter ending December 31, 2009, CI reported that it spent \$56,175.41 and enrolled 27 participants. We reviewed case files for 30 of the 38 participants enrolled in the WIA project as of February 26, 2010.

PROGRAM REVIEW RESULTS

We conclude that, overall, CI is meeting applicable WIA requirements concerning program.

FINANCIAL MANAGEMENT REVIEW RESULTS

While we concluded that, overall, the CI is meeting applicable WIA requirements concerning financial management, we noted an instance of noncompliance in the area of operating expense payments. The finding that we identified in this area, our recommendation, and the CI's proposed resolution of the finding is specified below.

FINDING 1

Requirement: OMB Circular A-122 states, in part, that to be allowable under an award, cost must be adequately documented.

WIA Directive (WIAD) 03-10 states, in part, that to be an allowable charge to WIA, a cost must be authorized.

CI's procurement policy and procedures manual states, in part, that purchase orders will be approved by the President.

Observation: We observed that CI failed to adequately document and properly authorize the expense payment on Purchase Order Requisition Form (PORF) #2402 for Bill Hahn Automotive in the amount of \$3,384.03. The original PORF authorized \$350 to fix the van, but then was crossed-out and changed to \$3,384.03 to match the invoices. There were no initials on the PORF or other documentation to show that this increase in expense was properly documented and authorized.

Recommendation: We recommended that the CI provide documentation to show that the changes to the PORF have been properly approved by CI. In addition, we recommended that CI provide the Compliance Review Office (CRO) with a corrective action plan (CAP) indicating how it will ensure that future changes to PORF's will be properly documented and authorized.

CI Response: In its response, the CI stated it has completed a revised PORF indicating approval for services rendered on PORF #2402 identified above. Additionally, CI stated that its Procurement Policies for changes made to PORF due to increased expenses or changes to original PORF were updated. A copy of the updated Procurement Policies was provided to CRO stating, in part, that should the actual purchase price exceed the estimate indicated on the PORF by more than 25 percent, the original PORF will be reauthorized by the Program Manager, approved by the President and a report attached to the PORF indicating the reasoning for the increased purchase amount.

State Conclusion: We consider this finding resolved.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, the CI is meeting applicable WIA requirements concerning procurement, we noted an instance of noncompliance in the area of procurement system overview. The finding that we identified in this area, our recommendation, and the CI's proposed resolution of the finding is specified below.

FINDING 2

Requirement: 29 CFR 95.44(a)(3)(i) states, in part, that solicitations for goods and services shall provide for a clear and accurate description of the technical requirements for the service to be procured.

CI's procurement policy and procedures manual states, in part, that purchase orders should clearly describe the item(s) being purchased.

Observation: We observed that CI failed to provide a clear and accurate description of the technical requirements for the automotive services to be procured on one of the two small purchase transactions reviewed. CI's PORF description only stated to fix the van, but did not describe the service required to explain the additional increase in cost. Furthermore, CI's procurement policy and procedures manual fails to comply with the requirements listed in 29 CFR 95.44.

Recommendation: We recommended that CI provide a revised PORF that specifies a clear and accurate description of the automotive services that were procured. In addition, we recommended CI modify its procurement policy and procedures manual to include the requirement in 29 CFR 95.44 and provide a copy to CRO.

CI Response: In its response, the CI stated it completed a revised PORF indicating a description of services that were procured on the transaction identified above. Additionally, CI stated that its Procurement Policies were modified to include the requirement identified above and provided a copy of the Procurement Policies to CRO.

State Conclusion: We consider this finding resolved.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. As you know, it is the CI's responsibility to ensure that its systems, programs, and related activities comply with the WIA, related Federal regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain the CI's responsibility.

Ms. Pam Stewart

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July 1, 2010

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Cynthia Parsell at (916) 654-1292.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessie Mar", with a stylized, cursive script.

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Betty Alvarez-Ham, Board President
Jose Luis Marquez, MIC 50
Georganne Pintar, MIC 50